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No. 1016

IN THE

Supreme Court of the United States

OCTOBER TERM, 1965

SIGNATROL, INC., a corporation, JOHN W. SUTPHIN, WILLARD E. BACHMAN, JOSEPH E. McNAMARA and WENDELL R. WALKER,

Petitioners,

VS.

EDWARD J. SCHULENBURG, EDWARD J. SCHULENBURG, JR., HELEN E. SCHULENBURG and MARIE E. POTTEBAUM, Co-partners doing business as TIME-O-MATIC COMPANY, TIME-O-MATIC, INC., a Corporation, and E-S INDUSTRIES, INC.,

Respondents.

PETITIONERS' REPLY TO RESPONDENTS' BRIEF OPPOSING CERTIORARI

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I.

IT IS ABUNDANTLY CLEAR THAT NEITHER THE RESPONDENTS' UNPATENTED PRODUCTS NOR THE DRAWINGS AND BLUEPRINTS DESCRIBING THEM ARE TRADE SECRETS AND THAT THE RULES LAID DOWN IN THE SEARS AND COMPCO CASES APPLY HERE.

The only ground on which the Respondents attempt to justify the refusal of the Supreme Court of Illinois to

apply and follow the decisions of this Court (*Sears Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225; *Compco Corp.* v. *Day-Brite Lighting Inc.*, 376 U.S. 234) is that in the instant case a trade secret is involved. However, the testimony cited by the Respondents in their Answer (pp. 3-5) does not prove the existence of a trade secret. The Respondents cite portions of the record wherein the Petitioners and other witnesses testified that the drawings and blueprints of Respondents would not have been freely distributed to anyone desiring copies. The fact that such items are not given away by an employee does not support the conclusion that such drawings and blueprints are necessarily trade secrets. Such evidence only proves that while employed an employee must be loyal to his employer and is under a duty to refuse to give away information, whether secret or not, belonging to his employer. This is equally true of office furniture, tools, supplies, finished products, or inventory, and does not make trade secrets of them any more than an employee's duty not to give away drawings and blueprints of his employer turns the drawings and blueprints into trade secrets.

The evidence to the effect that the drawings and blueprints of the Respondents would not have been distributed freely by employees or suppliers to just anyone who might ask for them is no different than the testimony that any manufacturer could furnish relating to any manufacturing process, patented or unpatented, secret or non-secret, and by no stretch of the imagination proves the secrecy necessary to establish a trade secret under the authorities cited in our Petition for Certiorari (pp. 15-19).

We have no quarrel with the proposition that the *paper* on which Respondents' drawings and blueprints appeared constituted the private property of the Respondents, but the Respondents had the additional burden of clearly estab-

lishing that the *information* comprised a trade secret. This burden they have not discharged, and in view of the undisputed evidence that this information was not secret, but was well known in the trade (Petition, pp. 14-15), the testimony relied upon by the Respondents does not rebut the undisputed evidence of the non-existence of a trade secret.

Whether or not a trade secret exists is not just a question of the state of the mind of the Respondents but is a precise legal finding to be drawn from all of the evidence dealing with the nature of the thing sought to be classed as a trade secret.

The Respondents ignore the clear evidence in the record that:

(a) The flasher device—to which these plans and drawings pertain—is a simple unpatented article which could be easily duplicated without reference to to the plans and drawings of Respondents.

(b) The publication and wide circulation of the plans and drawings places them in the public domain and is therefore fatal to the Respondents' contention that such documents are trade secrets.

None of the cases cited by Respondents proves that a trade secret exists in the present case so that *Sears* and *Compco* are not to be followed. *Servo Corp. of America* v. *General Electric Co.*, 337 F.2d 716 (C.A. 4, 1964) rehearing denied with opinion 342 F.2d 993 (C.A. 4, 1965), certiorari denied, October Term, 1965, Term No. 154, involved a true trade secret. The product involved had not been widely distributed, as were the drawings and blueprints in the instant case. The opinion of the Court of Appeals in denying rehearing explicitly recognized that

under *Sears* and *Compco* no damages could be recovered after there was a public disclosure of the product (342 F.2d 993). In other words, unless a trade secret were shown to exist, damages were not recoverable. No injunction was granted in *Servo*.

Edgar H. Wood Associates, Inc. v. *Skene*, 347 Mass. 355, 197 N.E. 2d 886 (1964), cited by Respondents, held that the principle established by *Sears* and *Compco* was inapplicable because the architectural plans involved were the subject of common law copyright and had not been published so as to be within the public domain. In the instant case there is no finding of a common law copyright and there is ample, undisputed evidence of the widespread circulation of the drawings and blueprints which the courts below wrongly held were trade secrets. Calling the Respondents' drawings and blueprints secret flies in the face of the undisputed facts.

The Respondents give no citation to any report of *Wallace & Tiernan, Inc.* v. *Harrison*, Civil Action No. C63-555, U.S.D.C., N.D. Ohio, 1964, and the opinion is not available to us. However, the quotation from the opinion given by Respondents indicates that the case is not applicable here because that case involved "a breach of a contractual and fiduciary duty not to use or disclose secret and confidential information". In the case at bar, there is undisputed testimony that there was no contractual obligation of secrecy (Abst. 132, 163, 286).

None of the cases cited by Respondents justifies refusing to follow *Sears* and *Compco* in the case at bar.

The Respondents understandably ignore the very recent Pennsylvania Supreme Court case, *Van Products Co.* v. *General Welding & Fabricating Co.* 213 A.2d 769 (Oct. 13, 1965) cited and quoted in our Petition for Certiorari (pp.

18-19) which completely undercuts the case of *Smith* v. *Dravo, Inc.* 203 F.2d 369 (C.A. 7, 1953) which was based upon Pennsylvania law and is the case on which the Supreme Court of Illinois relied (Appendix, p. 39). This recent Pennsylvania case properly held that the "starting point in every case of this sort is not whether there was a confidential relationship, but whether, in fact, there was a trade secret to be misappropriated" (213 A.2d 769, 780).

If the holding of the Supreme Court of Illinois is sustained that the widely circulated drawings and blueprints involved in this case are trade secrets, thereby evading the ruling in *Sears* and *Compco,* it is difficult to imagine any future case between employer and former employee in which *Sears* and *Compco* will protect the right of the former employee to compete with his former employer. It will be a simple matter to prove that some information memorized by the former employee—copying is not required by the decision of the courts below—is at least as much of a "trade secret" as the widely circulated, non-secret drawings and blueprints which have been held in the instant case to be trade secrets.

Unless the judgment below is reversed, *Sears* and *Compco* are completely devitalized in any suit between an employer and his former employees, for it will be a simple matter to evade the effect of those decisions by holding that employees have no right to use information which they have learned in the course of their employment, because that information is "confidential" simply because of the employer-employee relationship.

We submit that the Federally-protected doctrine of free competition in the manufacture of unpatented articles, which the Federal constitution guarantees, as held in

Sears Roebuck & Co. v. *Stiffel Co.*, 376 U.S. 225 and *Compco Corp.* v. *Day-Brite Lighting Inc.*, 376 U.S. 234, is seriously invaded by the device adopted below of finding a trade secret to exist where in fact there is no secrecy, and that this question is important enough to merit the granting of the writ of certiorari.

II-III.

THE INJUNCTION GRANTED VIOLATES THE CONSTITUTIONAL RIGHTS OF THE PETITIONERS.

Interwoven throughout the Respondents' answer to our contentions (Points II and III) that Petitioners are deprived of liberty and property without due process of law, and that Federally-protected doctrines of freedom of competition are invaded by the injunction affirmed by the Supreme Court of Illinois, is the argument that since the Petitioners are former employees of the Respondents and were once in a confidential employee-employer relationship, they may lawfully be deprived of the right freely to compete with their former employer.

Cases cited by the Respondents under these headings of their answering brief are authoritative only on the theory that the cited cases involved trade secrets. An examination of the cases indicates that they were trade-secret cases, which is enough to differentiate them from the present case which involves no actual secrets, trade or otherwise.

The Respondents state that the Petitioners are general and vague in their reference to the effect of the injunction in this case. We invite the Court's attention to the scope and extent of the injunction granted here in order to point out the manner in which this decree violates the rights of the Petitioners guaranteed to them by the Federal Con-

stitution. Although the duration of the injunction may later be modified by Illinois trial court, the scope of the injunction remains in its initial harsh form. The decree enjoins Petitioners from: (1) The sale, manufacture or production of any flasher or any component parts thereof which are substantially similar to a particular model flasher; (2) Selling or manufacturing a flasher using the same principles as a particular model of Respondents' flasher; (3) Selling or manufacturing flashers which possess any parts similar to those of Respondents; (4) Using any information on Respondents' plans and drawings or using like drawings and plans for any purpose; and (5) Using any confidential information obtained as employees.

Under the provisions of the decree, the Petitioners cannot even have a new flasher designed and built for them by independent engineers who have never known or had any contact with Respondents' business.

Such a decree not only violates the principles laid down in the *Sears* and *Compco* cases but it also grants to Respondents a measure of protection that would exceed the rights granted under a patent.

Yet in the face of such a decree, the Respondents contend that the injunction does not deprive Petitioners of liberty and property without due process. They further argue that such a decree does not give them monopoly rights. To justify such a claim they state that there are many other ways of making flashers. This same argument could have been used in the *Sears* case for there are more ways to light a room than from a pole light. Nevertheless, this Court had no difficulty in the *Sears* and *Compco* cases in deciding that a substitute method of obtaining a desired result need not be used if the article copied is not patentable. This Court decided that it is a violation of the Federal Constitution for state law to prohibit or punish such copying.

The Respondents further attempt to justify this harsh decree by saying that it only affects one corporate defendant and four individual defendants. Such a statement clearly points out the inequities of this decision. The Respondents admitted that an outsider could copy this device without reference to the Respondents' plans (Abst. 237), yet these particular Petitioners are singled out—as opposed to the other 180 million Americans—to be the only persons who cannot copy these flashers merely because they happen to be former employees of the Respondent Time-O-Matic Company. Such a result is not in harmony with the Constitution and the decisions of this Court in *Sears* and *Compco.*

We respectfully request that the Writ of Certiorari be granted as prayed in our Petition.

Respectfully submitted,

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